Weekly Economic Review

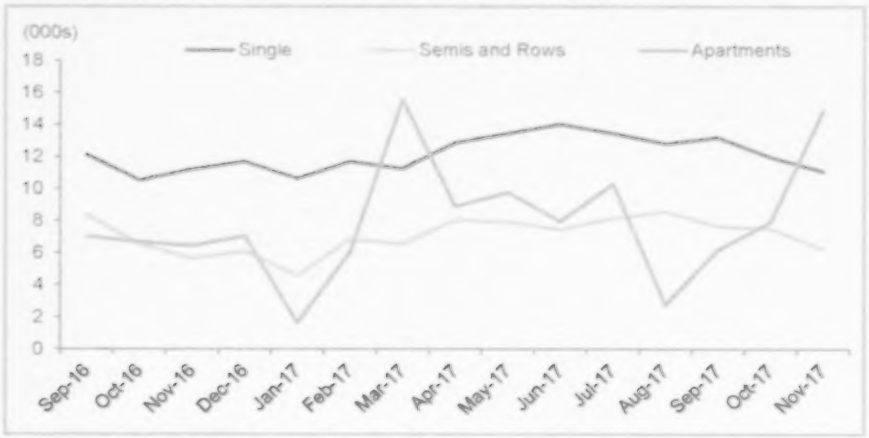
Strength in housing starts continues

Housing Starts

Surge in multi-units propel housing starts to an eight-month high

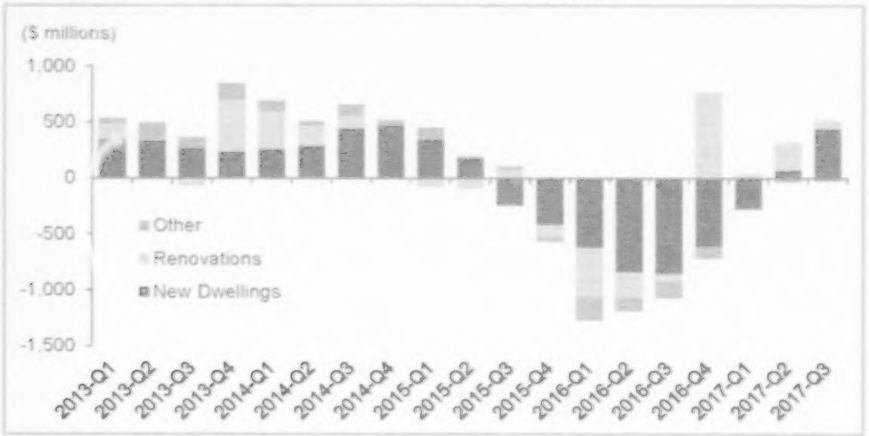
Housing starts jumped in November to the highest level since March 2017. They increased 16.4% month-over-month (m/m) to a seasonally adjusted annual rate of 33,955 units. The monthly gain was led by a resurgence in multi-unit starts in Calgary, which hit a 29-month high after being subdued for three months. Meanwhile, the momentum in singles continued to slow across the province (Chart 1). Starts are up 22% year-to-date (YTD), reflecting gains in both singles (26% YTD) and multiples (24% YTD) in urban centres. In contrast, starts in rural Alberta are lower (-11% YTD).

Chart 1: Surge in multi-units starts offsets slowing singles
Seasonally adjusted annual rate of housing starts, by type



Source: Canada Mortgage and Housing Corporation

Chart 2: Upsurge in new dwellings investment
Year-over-year change in residential investment, by type



Source: Statistics Canada

Residential Investment

Investment on the upswing

Spending on residential construction has gained momentum since hitting a low in the first quarter of this year. Alberta's residential construction investment rose 10% quarter-over-quarter (q/q) to $4.5 billion in the third quarter. The improvement was driven by a jump in new dwellings investment (+12.9% q/q), while renovation spending remains solid (+10% q/q). Compared to a year ago, investment increased 12% as new dwelling construction continues to recover and renovation spending has rebounded to pre-recession levels (Chart 2).

Rental Vacancies

Vacancies fall from record levels

Alberta's rental vacancy rate edged lower in 2017. The province-wide rental vacancy rate, including privately initiated apartment structures and the secondary rental markets, was 7.6% in October 2017, down from 8.4% a year ago. The vacancy rate declined as demand growth outpaced new supply for the first time in the last four years. While vacancy rates fell in ten of the sixteen reported regions, they remained elevated in many regions. Average rents declined (1.2% year-over-year or y/y) for the second consecutive year.

Building Permits

Intentions pullback in October

After increasing in the previous two months, planned construction activity retreated in October. The value of building permits in Alberta dropped 25% m/m to $992 million as non-residential permits fell 37% m/m. The decline was concentrated in governmental and institutional, which pulled back following the issuance of a high valued hospital permit last month. Commercial building intentions also eased, while residential permits fell for the second month in a row. Industrial permits, on the other hand, rose to the highest level in over three years.

Merchandise Trade

Energy and agriculture lift exports

Alberta exports received a boost In October from energy and farm exports. The value of goods exports jumped 13% m/m to reach $8.5 billion. Energy exports increased 14% m/m on higher prices and volumes. Meanwhile, strong international demand for canola and a larger canola crop harvest lifted fishing and food exports by 49% m/m, the largest October in since 1988. These two categories combined accounted for nearly all of the monthly gain and lifted the year-over-year gain to 21% (Chart 3).

Canadian Energy Investment

Capital expenditure on the rise

Capital expenditures in the Canadian oil and gas sector rebounded in the third quarter. Oil and gas investment increased 9.4% q/q to $10.8 billion. Since hitting a low in the second quarter of 2016, investment in oil and gas has risen in four of the five quarters, increasing by 27%. Despite the steady improvement, the level remains significantly below the 2014 level.

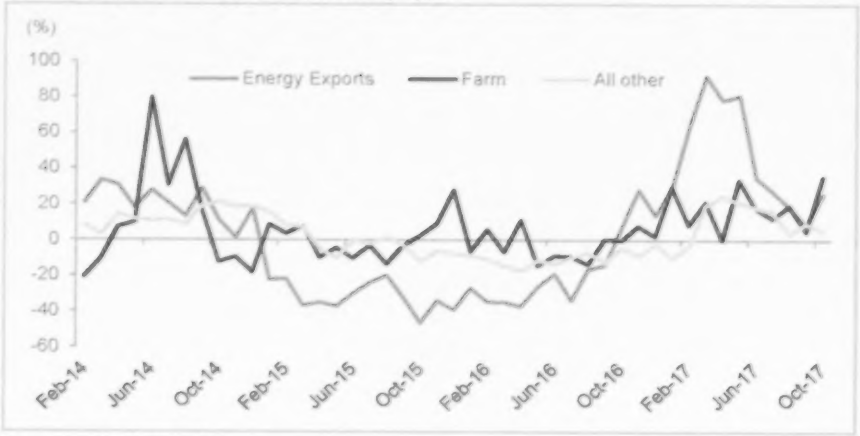
GDP by Expenditure

Lower exports weigh on growth

After a year of strong growth, the Canadian economy cooled in the third quarter of 2017. Real GDP expanded at 1.7% (annualized) down from 4.3% in the second quarter. The deceleration in growth was primarily the result of fewer exports (Chart 4) as a strike in Ontario and manufacturing retooling led to a 9.0% quarter-over-quarter (q/q) decline in motor vehicle and parts exports. Investment in residential structures also weighed on growth for the second consecutive quarter, and although consumption growth remained robust, it slowed from a nine-year high. Business investment also eased in the third quarter while government investment accelerated.

Chart 3: Energy and agriculture pull exports higher

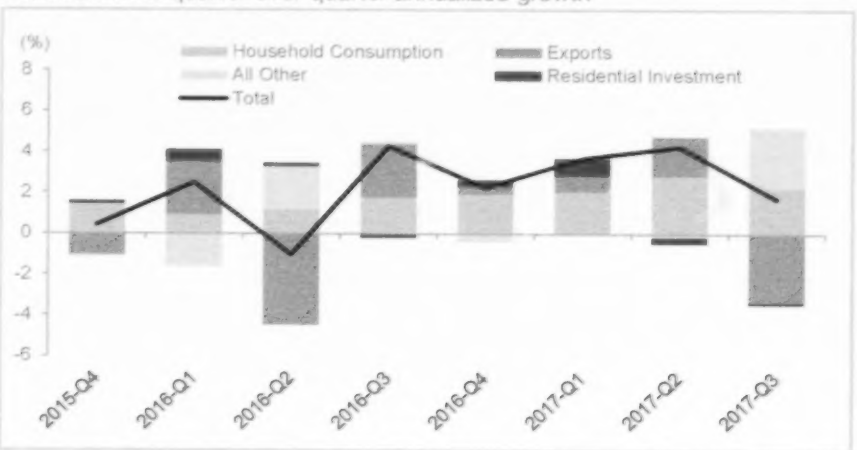
Year-over-year change in exports, by type



Source: Statistics Canada

Chart 4: Exports weigh on economic growth in the third quarter

Contribution to quarter-over-quarter annualized growth



Source: Statistics Canada

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.